Executive Summary - US Senate BCCI Affair Report - Audiobook (1992)

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1. BCCI CONSTITUTED INTERNATIONAL FINANCIAL CRIME ON A MASSIVE AND GLOBAL SCALE.
   Full Text: https://archive.org/details/TheBCCIAffair

   BCCI's unique criminal structure -- an elaborate corporate spider-web with BCCI's founder, Agha Hasan Abedi and his assistant, Swaleh Naqvi, in the middle -- was an essential component of its spectacular growth, and a guarantee of its eventual collapse. The structure was conceived by Abedi and managed by Naqvi for the specific purpose of evading regulation or control by governments. It functioned to frustrate the full understanding of BCCI's operations by anyone.

   A Report to the Committee on Foreign Relations United States Senate

   by Senator John Kerry and Senator Hank Brown

   December 1992

   102d Congress 2d Session Senate Print 102-140

   EXECUTIVE SUMMARY

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the BCCI affair a report to the Committee on Foreign Relations United States Senate by Senator John Kerry and Senator Hank Brown December 1992 102nd Congress second session Senate print 1 0 2 - 1 4 0 this December 1992 document is the penultimate draft of the Senate Foreign Relations Committee report on the BCCI affair after it was released by the committee senator Hank Brown reportedly acting at the behest of Henry Kissinger pressed for the deletion of a few passages particularly in chapter 20 on BCCI and Kissinger associates as a result the final hard copy version of the report as published by the Government Printing Office differs slightly from the committee's soft copy version presented below Stephen Aftergood Federation of American scientists executive summary one BCCI constituted international financial crime on a massive and global scale BCCI's unique criminal structure an elaborate corporate spider web with bcc i--'s founder agra hassan obd and his assistant Suellen akka v in the middle was an essential component of its spectacular growth and a guarantee of its eventual collapse the structure was conceived by a b d and managed by Naqvi for the specific purpose of evading regulation or control by governments it functioned to frustrate the full understanding of BCCI's operations by anyone unlike any ordinary bank BCCI was from its earliest days made up of multiplying layers of entities related to one another through an impenetrable series of holding companies affiliates

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series of holding companies affiliates subsidiaries banks within Banks insider dealings and nominee relationships by fracturing corporate structure record-keeping regulatory review and audits the complex BCCI family of entities created by a BD was able to evade ordinary legal restrictions on the movement of capital and goods as a matter of daily practice and routine in creating BCCI as a vehicle fundamentally free of government control a BD developed in BCCI an ideal mechanism for facilitating illicit activity by others including such activity by officials of many of the governments whose laws BCCI was breaking BCCI's criminality included fraud by BCCI and BCCI customers involving billions of dollars money laundering in Europe Africa Asia and the Americas BCCI's bribery of officials in most of those locations support of terrorism arms trafficking and the sale of nuclear technologies management of prostitution the Commission and facilitation of income tax evasion smuggling and illegal immigration illicit purchases of banks and real estate and a panoply of financial crimes limited only by the imagination of its officers and customers among BCCI's principle mechanisms for committing crimes or its use of shell corporations and bank confidentiality and secrecy havens layering of its corporate structure its use of frontmen and nominees guarantees and buyback arrangements back-to-back financial documentation among BCCI controlled entities kickbacks and bribes the intimidation of witnesses and the retention of well-placed insiders to

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retention of well-placed insiders to discourage governmental action to BCCI systematically bribed world leaders and political figures throughout the world BCCI systematically relied on relationships with and as necessary payments to prominent political figures in most of the seven three countries in which BCCI operated BCCI records and testimony from former BCCI officials together document bcc i--'s systematic securing of central bank deposits of third world countries its provision of favors to political figures and its reliance on those figures to provide BCCI itself with favors and times of need these relationships were systematically turned to BCCI's use to generate cash needed to prop up its books BCCI would obtain an important figures agreement to give BCCI deposits from a country's central bank exclusive handling of a country's use of US commodity credits preferential treatment on the processing of money coming in and out of the country where monetary controls were in place the right to own a bank secretly if necessary in countries where foreign banks were not legal and other questionable means of securing assets or profits in return BCC I would pay bribes to the figure or otherwise give him other things he wanted in a simple quid pro quo the result was that BCCI had relationships that ranged from the questionable to the improper to the fully corrupt with officials from countries all over the world including Argentina Bangladesh Botswana Brazil Cameroon China Colombia the Congo Ghana Guatemala the Ivory Coast India Jamaica

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Guatemala the Ivory Coast India Jamaica Kuwait Lebanon Mauritius Morocco Nigeria Pakistan Panama Peru Saudi Arabia Senegal Sri Lanka Sudan Suriname Tunisia the United Arab Emirates the United States Zambia and Zimbabwe three BCCI developed a strategy to infiltrate to the US banking system which it successfully implemented despite regulatory barrier that were designed to keep it out in 1977 BCCI developed a plan to infiltrate the US market through secretly purchasing US banks while opening branch offices of BCCI throughout the US and eventually merging the institution's BCCI had significant difficulties implementing this strategy due to regulatory barriers in the United States designed to ensure accountability despite these barriers which delayed BCCI's entry BCCI was ultimately successful in acquiring for banks operating in seven states and the District of Columbia with no jurisdiction successfully preventing BCCI from infiltrating it the techniques used by BCCI in the United States had been previously perfected by BCCI and were used in BCCI's acquisitions of banks in a number of third world countries and in Europe these included purchasing banks through nominees and arranging to have its activities shielded by prestigious lawyers accountants and public relations firms on the one hand and politically well-connected agents on the other these techniques were essential to BCCI's success in the United States because without them BCCI would have been stopped by regulators

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would have been stopped by regulators from gaining an interest in any US bank as it was regulatory suspicion towards BCCI required the bank to deceive regulators and collusion with nominees including the heads of state of foreign several emirates key political and intelligence figures from the middle-east and entities controlled by the most important bank and banker in the Middle East equally important to BCCI's successful secret acquisitions of US banks in the face of regulatory suspicion was its aggressive use of a series of prominent Americans beginning with Bert Lance and continuing with former defense secretary Clark Clifford former US Senator Stuart Symington well-connected former federal bank regulators and former and current local state and federal legislators wittingly or not these individuals provided essential assistance to BCCI through lending their names and their reputations to BCCI at critical moments thus it was not merely BCCI's deceptions that permitted it to infiltrate the United States and its banking system also essential were BCCI's use of political influence peddling and the revolving door in Washington for the Justice Department mishandled its investigation and prosecution of BCCI and its relationships with other government agencies concerning BCCI federal prosecutors in Tampa handling the 1988 drug money laundering indictment of BCCI failed to recognize the importance of information they received concerning BCCI's other crimes including its apparent secret ownership of first American as a result they failed adequately to investigate these allegations themselves or to refer this

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allegations themselves or to refer this portion of the case to the FBI and other agencies at the Justice Department who could have properly investigated the additional information the Justice Department along with the US Customs Service and Treasury Department's failed to provide adequate support and assistance to investigators and prosecutors working on the case against BCCI in 1988 and 1989 contributing to conditions that ultimately caused the chief undercover agent who handled the sting against BCCI to quit customs entirely the January 1990 plea agreement between BCCI and the US attorney in Tampa kept BCCI alive and had the effect of discouraging BCCI's officials from telling the u.s. what they knew about BCCI's larger criminality including its ownership of first American and other US banks the Justice Department essentially stopped investigating BCCI following the plea agreement until press accounts federal reserve action and the New York District Attorney's investigation in New York forced them into action in mid 1991 Justice Department personnel in Washington lobbied state regulators to keep BCCI open after the January 1990 plea agreement following lobbying of them by former Justice Department personnel now representing BCCI relations between Maine Justice and Washington and the US attorney for Miami Dexter laitanan broke down on BCCI related prosecutions and key actions on BCCI related cases in Miami were as a result delayed for months during 1991 Justice Department personnel in Washington Miami and Tampa actively obstructed and impeded congressional attempts to investigate BCCI in 1990 and

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attempts to investigate BCCI in 1990 and this practice continued to some extent until William P bar became Attorney General in late October 1991 Justice Department personnel in Washington Miami and Tampa obstructed and impeded attempt by New York District Attorney Robert Morgenthau to obtain critical information concerning BCCI in 1989 1990 and 1991 and in one case a federal prosecutor lied to Morgan thaws office concerning the existence of such material important failures of cooperation continued to take place until William P bar became Attorney General in late October 1991 cooperation by the Justice Department with the Federal Reserve was very limited until after BCCI's global closure on July 5th 1991 some public statements by the Justice Department concerning its handling of matters pertaining to BCCI were more cleverly crafted than true fine New York District Attorney Morgan thought not only broke the case on BCCI but indirectly brought about BCCI's global closure acting on information provided him by the subcommittee New York district attorney Robert Morgenthau began an investigation in 1989 of BCCI which materially contributed to the chain of events that resulted in bcc i--'s closure questions asked by the district attorney intensified the review of bcc i--'s activities by its auditors Pricewaterhouse in england and gave life to a moribund federal reserve investigation of bcc i--'s secret ownership of first american the district attorney's criminal investigation was critical to stopping an intended reorganization of bcc I worked out

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reorganization of bcc I worked out through an agreement with the Bank of England the government of Abu Dhabi BCCI's auditors Price Waterhouse and BCCI itself in which the nature and extent of BCCI's criminality would be suppressed while abu dhabi would commit its financial resources to keep the bank going during a restructuring by the late spring of 1991 the key obstacle to a successful restructuring of BCCI Bank rolled up Abu Dhabi was the possibility that the District Attorney of New York would indict such an indictment would have inevitably caused a swift and thoroughly justified international run on BCCI by depositors all over the world instead it was a substantial factor in the decision of the Bank of England to take the information it had received from Price Waterhouse and rely on it to close BCCI six BCCI's accountants failed to protect bcc i--'s innocent depositors and creditors from the consequences of poor practices at the bank of which the auditors were aware for years bcc i--'s decision to divide its operations between two auditors neither of whom had the right to audit all BCCI operations was a significant mechanism by which bcc was able to hide its frauds during its early years for more than a decade neither of BCCI's auditors objected to this practice BCCI provided loans and financial benefits to some of its auditors whose acceptance of these benefits creates an appearance of impropriety based on the possibility that such benefits could in theory affect the independent judgment of the auditors involved these benefits included loans to to Price Waterhouse partnerships in the Caribbean in addition there are serious questions concerning the acceptance of payments

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concerning the acceptance of payments and possibly housing from BCCI or its affiliates by Price Waterhouse partners in the grand Caymans and possible acceptance of sexual favors provided by BCCI officials to certain persons affiliated with the firm regardless of BCCI's attempts to hide its frauds from its outside auditors there were numerous warning bells visible to the auditors from the early years of the bank's activities and BCCI's auditors could have and should have done more to respond to them by the end of 1987 given Price Waterhouse UK's knowledge about the inadequacies of BCCI's records it had ample reason to recognize that there could be no adequate basis for certifying that it had examined bcc i--'s books and records and that its picture of those records were indeed a true and fair view of bcc i--'s financial state of affairs these certifications by bcc i--'s auditors that it's picture of bcc i--'s books were true and fair from December 31st 1987 forward at the consequence of assisting BCCI and misleading depositors regulators investigators and other financial institutions as to bcc i--'s true financial condition prior to 1990 Price Waterhouse UK knew of gross irregularities in bcc i--'s handling of loans to CCA H first American and was told of violations of US banking laws by BCCI and its borrowers in connection with CCA H first American and failed to advise the partners of its US affiliate or any US regulator there is no evidence that price waterhouse UK has to this day notified Pricewaterhouse us of the extent of the problems that found at bcc i or of bcc i--'s secret

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found at bcc i or of bcc i--'s secret ownership of CCA h first american given the lack of information provided Pricewaterhouse us by its united kingdom affiliate the u.s. firm performed its auditing of bcc i--'s u.s. branches in a manner that was professional and diligent albeit unenumerated concerning bcc i--'s true activities in the united states price Waterhouse's certification of bcc i--'s books and records in april 1990 was explicitly conditioned by Price Waterhouse UK on the proposition that abu dhabi would bail bcc i-- out of its financial losses and that the Bank of England Abu Dhabi and BCCI would work with the auditors to restructure the bank and avoid its collapse Price Waterhouse would not have made the certification but for the assurances it received from the Bank of England that its continued certification of bcc i--'s books was appropriate and indeed necessary for the bank's survival the April 1990 agreement among Price Waterhouse UK abu dhabi BCCI and the Bank of England described above resulted in Price Waterhouse UK certifying the financial picture presented in its audit of BCCI as true and fair with a single footnote material to the huge losses still to be dealt with and failed adequately to describe their serious nature as a consequence the

certification was materially misleading to anyone who relied on it ignorant of the facts then mutually known to BCCI Abu Dhabi Price Waterhouse and the Bank of England the decision by Abu Dhabi price war House UK BCCI and the Bank of England to reorganise BCCI over the duration of 1990 and 1991

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over the duration of 1990 and 1991 rather than to advise the public of what they knew caused substantial injury to innocent depositors and customers of BCCI who continue to do business with an institution which each of the above parties knew had engaged in fraud from at least April 1990 through November 1990 the government of Abu Dhabi had knowledge of BCCI's criminality and frauds which it apparently withheld from BCC eyes outside auditors contributing to the delay in the ultimate closure of the bank and causing further injury to the bank's innocent depositors and customers 7 the CIA developed important information on BCCI and inadvertently failed to provide it to those who could use it the CIA and former CIA officials had a far wider range of contacts and links to bcc i-- and bcc i-- shareholders officers and customers than has been acknowledged by the CIA by early 1985 the CIA knew more about bcc i--'s goals and intentions concerning the US banking system than anyone else in government and provided that information to the US Treasury and the Office of the Comptroller of the currency neither of whom had the responsibility for regulating the first American bank that BCCI had taken over the CIA failed to provide the critical information it had gathered to the correct users of the information the Federal Reserve and the Justice Department after the CIA knew that BCCI was as an institution a fundamentally corrupt criminal enterprise they continued to use both BCCI and first American BCCI's secretly held US subsidiary for CIA operations

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subsidiary for CIA operations while the reporting concerning BCCI by the CIA was in some respects impressive especially in its assembling of the essentials of BCCI's criminality it's secret purchase of first American by 1985 and its extensive involvement in money laundering there were also remarkable gaps in the CIA's reported knowledge about BCCI former CIA officials including former CIA director Richard Helms and the late William Casey former and current foreign intelligence officials including Kamal Adham and Abdul Rauf Khalil and principal foreign agents of the u.s. such as Adnan Khashoggi and manuchehr Gabbana fire flowed in and out of BCCI at critical times in its history and participate simultaneously in the making of key episodes in u.s. foreign policy ranging from the Camp David peace talks to the arming of Iran and as part of the iran-contra affair yet the CIA has continued to maintain that it has no information regarding any involvement of these people raising questions about the quality of intelligence the CIA is receiving generally or its candor with the subcommittee the CIA's professions of total ignorance about their respective roles in BCCI are out of character with the agency's early knowledge of many critical aspects of the bank's operations structure personnel and history the errors made by the CIA in connection with his handling of BCCI were complicated by its handling of this congressional investigation initial information that was provided by the CIA was untrue later information that was provided was incomplete and the agency resisted providing a full account of its knowledge of BCCI until almost a year after the initial requests for the information these

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requests for the information these experiences suggest caution and concluding that the information provided to date is full and complete relationships among former CIA personnel and BCCI frontmen and nominees including Kamal Adham Abdul Khalil and Mohammad Atta Vani requires further investigation eight the flawed decisions made by regulators in the u.s. which allowed BCCI to secretly acquire US banks were caused in part by gaps in the regulatory process and in part by BCCI's use of well-connected lawyers to help them through the process when the Federal Reserve approved the takeover of financial general Bancshares by CCA H in 1981 it had substantial circumstantial evidence before it to suggest that BCCI was behind the bank's purchase the Federal Reserve chose not to act on that evidence because of these specific representations that were made to it by CCA H's shareholders and lawyers that BCCI was neither financing

nor directing the takeover these representations were untrue and the Federal Reserve would not have approved the CCA H application but for the false statements made to it in approving the CCA H application the Federal Reserve relied upon representations from the Central Intelligence Agency State Department and other US agencies that they had no objections to or concerns about the middle-eastern shareholders who were purporting to purchase shares in the bank the Federal Reserve also relied upon the reputation for integrity of BCCI's lawyers especially that of former Secretary of Defense Clark Clifford and former Federal Reserve counsel Baldwin

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former Federal Reserve counsel Baldwin Tuttle assurances provided the Federal Reserve by the CIA and State Department and by both attorneys had a material impact on the Federal Reserve's willingness to approve the CCA H application despite its concerns about BCCI's possible involvement in 1981 the Office of the Comptroller of the currency had additional information from reports concerning BCCI's role in the Bank of America and the National Bank of Georgia concerning BCCI's possible use of nominee arrangements and alter-egos to purchase banks on its behalf in the United States which it failed to pass on to the Federal Reserve this failure was inadvertent not intentional in approving the CCA H application the Federal Reserve permitted BCCI and its attorneys to carve out a seeming loophole in the commitment that BCCI and not be involved in financing or controlling CCA HS activities this loophole permitted BCCI to act as an investment advisor and information conduit to CCA HS shareholders the Federal Reserve's decision to accept this arrangement allowed BCCI and its attorneys and agents to use these permitted activities as a cover for the true nature of BCCI's ownership of CCA H and the first American banks after approving the CCA H application in 1981 the Federal Reserve received few indicators about bcc i--'s possible improper involvement in CCA H first American however at several critical junctures especially the purchase by first American of the National Bank of Georgia from gaya throne in 1986 there were obvious warning signs that could have been investigated and which were not until late 1990 as a foreign bank whose

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until late 1990 as a foreign bank whose branches were chartered by state banking authorities BCCI largely escaped the Federal Reserve's scrutiny regarding its criminal activities in the United States unrelated to its interest in CCA H first American this gap in regulatory oversight has since been closed by the passage of the foreign bank supervision enhancement act of 1991 the US Treasury Department failed to provide the Federal Reserve with information it received concerning BCCI's ownership of first American in 1985 and 1986 from the CIA however IRS agents did provide important information to the Federal Reserve on this issue in early 1989 which the Federal Reserve failed adequately to investigate at the time the FDIC approved guys firown's' purchase of the independence bank in 1985 knowing him to be a shareholder of BCCI and knowing that he was placing a senior BCCI officer in charge of the bank and failed to confer with the Federal Reserve or the OCC regarding their previous experiences with Barone and BCCI once the Federal Reserve commenced a formal investigation of BCCI and first American on January 3rd 1991 its investigation of BCCI and first American was aggressive and diligent its decisions to force BCCI out of the United States and to divest itself of first American were prompt the charges that brought against the parties involved with BCCI and violating federal banking standards were fully justified by the record its investigations have over the past year contributed substantially to public understanding to date of what took place even after the Federal Reserve understood the nature and scope of BCCI's frauds it did not seek to have

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BCCI's frauds it did not seek to have BCCI closed globally this position was in some measure the consequence of the Federal Reserve's need to secure the cooperation of BCCI's majority shareholders the government and royal family of Abu Dhabi and providing some 190 million dollars to prop up first American Bank and prevent an embarrassing collapse however Federal Reserve investigators did actively work in the spring of 1991 to have BCCI's top management removed in investigating BCCI the Federal Reserve's efforts

were hampered by examples of lack of cooperation by foreign governments including most significantly the Serious Fraud Office in the United Kingdom and the closure of BCCI on July 5th 1991 the government of Abu Dhabi US regulatory handling of the US banks secretly owned by BCCI was hampered by a lack of coordination among the regulator's which included the Federal Reserve the FDIC and the OCC highlighting the need for a further integration of these separate banking regulatory agencies on supervision and enforcement 9 the Bank of England's regulation of BCCI was wholly inadequate to protect BCCI's depositors and creditors and the Bank of England withheld information about BCCI's frauds from public knowledge for 15 months before closing the bank the Bank of England had deep concerns about BCCI from the late 1970s on and undertook several steps to slow BCCI's expansion in the United Kingdom in 1988 and 1989 the Bank of England learned of BCCI's

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the Bank of England learned of BCCI's involvement in the financing of terrorism and in drug money laundering and undertook additional but limited supervision of BCCI in response to receiving this information in the spring of 1990 Price Waterhouse advised the Bank of England that there were substantial loan losses at BCCI numerous poor banking practices and evidence of fraud which together had created a massive hole in bcc i--'s books the Bank of England's response to the information was not too close BCCI down but to find ways to prop up BCCI and prevent its collapse this meant among other things keeping secret the very serious nature of bcc i--'s problems from its creditors and 1 million depositors in April 1990 the Bank of England reached an agreement with BCCI Abu Dhabi and Pricewaterhouse to keep BCCI from collapsing under the agreement Abu Dhabi agreed to guarantee BCCI's losses and Price Waterhouse agreed to certify BCCI's books as a consequence innocent depositors and creditors who did business with BCCI following that date were deceived into believing that BCCI's financial problems were not as serious as each of these parties already knew them to be from April 1990 the Bank of England relied on British bank secrecy and confidentiality laws to reduce the risk of BCCI's collapse if word of its improprieties leaked out as a consequence innocent depositors and creditors who did business with BCCI following that date were denied vital information in the possession of regulators auditors officers and shareholders of BCCI that could have protected them against their losses in

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protected them against their losses in order to prevent risk to its restructuring plan for BCCI and a possible run on BCCI the Bank of England withheld important information from the Federal Reserve in the spring of 1990 about the size and scope of BCCI's lending on CCA H first American shares despite the Federal Reserve's requests for such information this action by the Bank of England delayed the opening of a full investigation by the Federal Reserve for approximately eight months despite its knowledge of some of BCCI's past frauds and its own understanding that consolidation into a single entity is essential for regulating a bank in late 1990 and early 1991 the Bank of England tentatively agreed with BCCI and its Abu Dhabi owners to permit BCCI to restructure as three separate institutions based in London abu dhabi and hong kong this tentative decision demonstrated extraordinarily poor judgment on the part of the Bank of England this decision was reversed abruptly when the Bank of England suddenly decided to close BCCI instead in late june 1991 the decision by the Bank of England in April 1990 to permit BCCI to move its headquarters officers and records out of British jurisdiction to Abu Dhabi has had profound negative consequences for investigations of BCCI around the world as a result of this decision essential records and witnesses regarding what took place were removed from the control of the British government and placed under the control of the government of Abu Dhabi which has to date withheld them from criminal investigators in the US and UK this decision constituted a costly and likely irretrievable error on the part of the Bank of England 10 Clark

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the part of the Bank of England 10 Clark Clifford and Robert Altman participated in improprieties with BCCI in the United States regardless of whether Clifford and Altman were deceived by BCCI in some respects both men participated in some BCCI deceptions in the United States beginning in late 1977 Clifford and Altman assisted BCCI in purchasing a US bank financial general Bancshares with the participation of nominees and understood BCCI's central involvement in directing and controlling the transaction in the years that followed they made business decisions regarding acquisitions for first American that were motivated by BCCI's goals rather than by the business needs of first American itself and represented as their own to regulators decisions that had been made by a B D and B CCI on fundamental matters concerning first American including the purchase my first American of the National Bank of Georgia and first Americans decision to purchase branches in New York City Clifford and Altman concealed their own financing of shares first American by BCCI from first Americans other directors and from US regulators withheld critical information that they possessed firm regulators in an effort to keep the truth about BCCI's ownership of first American secret and deceived regulators and the Congress concerning their own knowledge of and personal involvement in BCCI's illegalities in the United States 11 Abu Dhabi's involvement in BCCI's affairs was far more central than it has acknowledged involving in some cases nominee relations and no-risk transactions that Abu Dhabi is today covering up through hiding witnesses and

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covering up through hiding witnesses and documents from US investigators members of Abu Dhabi's ruling family appear to have contributed no more than $500,000 to BCCI's capitalization prior to April 1990 despite being the record owner of almost one-quarter of the bank's total shares an unknown but substantial percentage of the shares acquired by Abu Dhabi overall in BCCI appear to have been acquired on a risk-free basis either with guaranteed rates of return buyback arrangements or both the interest held in BCCI by the Abu Dhabi ruling family like the interests held by the rulers of the three other Gulf shikdum Zin the United Arab Emirates who owned shares of BCCI materially aided and abetted a B D and B CCI in projecting the illusion that BCCI was backed by and capitalized by Abu Dhabi's wealth investments made in BCCI by the Abu Dhabi Investment Authority appear to have been genuine although possibly guaranteed by BCCI with buy back or other no risk arrangements shares in financial general Bancshares held by members of the Abu Dhabi royal family in late 1977 and early 1978 appeared to have been nominee arrangements adopted by Abu Dhabi as a convenience to BCCI and a BD under arrangements in which Abu Dhabi was to be without risk and BCCI was to guarantee the purchase through a commitment to buy back the stock at an agreed-upon price Abu Dhabi's representative to BCCI's Board of Directors phantom Alma's Rui received unorthodox financial benefits from BCCI in no-risk stock deals which may have compromised his ability to exercise independent judgment concerning BCCI's actions confirmed at least one

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actions confirmed at least one fraudulent transaction involving Abu Dhabi and engaged in other improprieties pertaining to BCCI but remains today in place at the apex of Abu Dhabi's committee designated to respond to BCCI's collapse in April 1990 Abu Dhabi was told in detail about BCCI's fraud by top BCCI officials and failed to advise BCCI's external auditors of what it had learned between April 1990 and November 1990 Abu Dhabi and BCCI together kept some information concerning BCCI's frauds hidden from the auditors from April 1990 through July 5th 1991 Abu Dhabi tried to save BCCI through a massive restructuring as part of the restructuring process Abu Dhabi agreed to take responsibility for BCCI's losses Price Waterhouse agreed to certify BCCI's books for another year and Abu Dhabi Price Waterhouse the Bank of England and BCCI agreed to keep all information concerning BCCI's frauds and other problems secret from BCCI's 1 million depositors as well as from US regulators and law enforcement to prevent a run on the bank after the Federal Reserve was advised by the New York District Attorney of possible nominee Arrangements involving BCCI and first American Abu Dhabi and an apparent effort to gain the Federal Reserve's acquiescence in BCCI's proposed restructuring provided limited cooperation to the Federal serve including access to selected documents the cooperation did not extend to permitting the Federal Reserve open access to all BCCI documents or substantive communication with key BCCI officials held in Abu Dhabi such as

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officials held in Abu Dhabi such as BCCI's former president Suellen Naqvi that access ended with the closure of BCCI july fifth 1991 from november 1990 through the present Abu Dhabi has failed to provide documents and witnesses to US law enforcement authorities and to the Congress despite repeated commitments to do so instead it has actively prevented US investigators from having access to vital information necessary to investigate BCCI's global wrongdoing the proposed agreement between Abu Dhabi and BCCI's Liquidators to settle their claims against one another contains provisions which could have the consequence of permitting Abu Dhabi to cover up any wrongdoing it may have had in connection with BCCI there is some evidence that the sheikh zayed may have had a political agenda in agreeing to the involvement of members of the abu dhabi royal family and its Investment Authority and purchasing shares of financial general Bancshares then of CCA H first American this evidence is offset in part by testimony that Abu Dhabi share purchases in the US bank were done at a biddies request and did not represent an actual investment by Abu Dhabi until much later 12 BCCI made extensive use of the revolving door and political influence peddling in the United States to accomplish its goals BCCI's political connections in Washington had a material impact on its ability to accomplish its goals in the United States in hiring lawyers lobbyists and public relations firms in the United States to help it deal with its problems visa via the government BCCI pursued a strategy that it had practiced successfully around the world the hiring of former government

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the hiring of former government officials BCCI's and its shareholders cadre of professional help in washington DC included at various times a former secretary of defense clark clifford former senators and congressmen John Culver Mike Barnes former federal prosecutors Larry Wexler Raymond Burr noon and Larry Barcella a former State Department official William Rogers a former White House aide Eadie Rogers a current presidential campaign deputy director James Lake and former Federal Reserve attorneys Baldwin Tuttle Jerry Hawke and Michael Brad field in addition BCCI solicited the help of Henry Kissinger who chose not to do business with BCCI but made a referral of BCCI to his own lawyers at several key points in BCCI's activities in the u.s. the political influence and personal contacts of those that hired had an impact in helping BCCI accomplish its goals including in connection with the 1981 CCA h acquisition of FGB and the handling and aftermath of bcc i--'s plea agreement in tampa in 1990 the political connections of bcc i--'s u.s. lawyers and lobbyists were critical to impeding congressional and law enforcement investigations from 1988 through 1991 through a variety of techniques that included impugning the motives and integrity of investigators and journalists withholding subpoenaed documents and lobbying on Capitol Hill to protect BCCI's reputation and discourage efforts to close the bank down in the United States 13 BCCI's public relations firm smeared people who are telling the truth as part of its work for BCCI when Hill and Knowlton

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work for BCCI when Hill and Knowlton accepted BCCI's account in October 1988 its partners knew of BCCI's reputation as a sleaze the bank but took the account anyway in 1988 and 1989 Hill & Knowlton assisted BCCI with an aggressive public relations campaign designed to demonstrate that BCCI was not a criminal enterprise and to put the best face possible on the Tampa drug money laundering indictments and so doing it disseminated materials unjustifiably and unfairly discrediting persons and publications who were telling the truth about BCCI's criminality important information provided by Hill & Knowlton to Capitol Hill and provided by first American to regulators concerning the relationship between BCCI and first American in April 1990 was false the misleading material represented the position of BCCI first American Clifford and Altman concerning the relationship and was contrary to the truth known by BCCI Clifford and Altman Hill & Knowlton 'he's representation of BCCI was within the norms and standards of the public relations industry but raises larger questions as to the relationship of those norms and standards to the public interest 14 BCCI actively solicited the friendships of major US political figures and made payments to these political figures which in some cases may have been improper beginning with Bert Lance in 1977 whose debts BCCI paid off with a 3.5 million dollar loan BCCI BCCI nominees and top officials of BCCI

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nominees and top officials of BCCI systematically developed friendships and relationships with important US political figures while those which are publicly known include former President Jimmy Carter Jesse Jackson and Andrew Young the subcommittee has received information suggesting that BCCI's network extended to other US political figures the payments made by BCC to Andrew Young while he was a public official or at best unusual and by all appearances improper 15 bcc i--'s commodities affiliate capcom engaged in billions of dollars of largely anonymous trading in the US which included a very substantial level of money laundering while capcom simultaneously developed significant ties to important US telecommunications industry executives and foreign intelligence figures bcc i--'s commodities affiliate capcom based in Chicago London and Cairo was principally staffed by former BCCI bankers capitalized by BCCI and BCCI customers and owned by BCCI BCCI shareholders and frontmen capcom employed many of the same practices as BCCI especially the use of nominees and front companies to disguise ownership and the movement of money for US citizens none of whom had any experience or expertise in the commodities markets played important and varied roles as Capcom frontmen in the United States while investigation information concerning Capcom is incomplete its activities appear to have included misappropriation of BCCI assets the laundering of billions of dollars from the Middle East to the US and other

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the Middle East to the US and other parts of the world and the siphoning of assets from BCCI to create a safe haven for them outside of the official BCCI Empire Capcom's major shareholders Kamal Adham and AR Khalil were both former senior Saudi government officials and successively acted as Saudi Arabia's principal liaisons to the Central Intelligence Agency during the 1970s and 1980s its u.s. front men included Robert Magnus the CEO of the largest US cable telecommunications company TCI a vice president of TCI romrell and two other Americans carry Foxx and Robert Powell with long-standing business interests in the Middle East Magnus romrell and Fox received loans from BCCI for real-estate ventures in the US and Magnus and romrell discussed numerous business ventures between BCCI and TCI some of which involved the possible purchase of US telecommunications stock and substantial lending by BCCI commodities regulators with the responsibility for investigating Capcom showed little interest in conducting a thorough investigation of its activities and in 1989 allowed Capcom to avoid such an investigation through agreeing to cease doing business in the United States the subcommittee could not determine whether BCCI Capcom or their shareholders or agents actually acquired equity interests in the u.s. cable industry and believes further investigation of matters pertaining to Capcom is essential 16 investigations of BCCI to date remain incomplete and many leads cannot be followed up as the result of documents being withheld from US investigators by the British

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US investigators by the British government and documents and witnesses being withheld from US investigators by the government of Abu Dhabi many of these specific criminal transactions engaged in by BCCI's customers remain hidden from investigation as the result of bank secrecy laws in many jurisdictions British national security laws and the holding of key witnesses and documents by the government of Abu Dhabi documents pertaining to BCC is used to finance terrorism to assist the builders of a Pakistani nuclear bomb to finance Iranian armed steals and related matters have been sealed in the United Kingdom by British intelligence and remain unavailable to US investigators many other basic matters pertaining to BCCI's criminality including any list that may exist of BCCI's political payoffs and bribes remains sequestered in Abu Dhabi and unavailable to US investigators many investigative leads remain to be explored but cannot be answered without devoting substantial additional sources that to date no agency of government has been in a position to provide unanswered questions include but are not limited to the relationship between BCCI and the banco nacional del lavoro the alleged relationship between the late CIA director William Casey and BCCI the extent of BCCI's involvement in Pakistan's nuclear program BCCI's manipulation of commodities and

securities markets in Europe and Canada BCCI's activities in India including its relationship with the business empire of the Hinduja family BCCI's relationships with convicted iraqi arms dealer Sarkis Sark an alien Syrian drug trafficker

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Sark an alien Syrian drug trafficker terrorists and arms trafficker Monza alcázar and other major arms dealers the use of BCCI by central figures in the alleged October Surprise BCCI's activities with the Central Bank of Syria and with the foreign trade mission of the Soviet Union in London its involvement with foreign intelligence agencies the financial dealings of BCCI directors with Charles Keating and several Keating affiliates and front companies including the possibility that VC CI related entities may have laundered funds for Keating to move them outside the United States BCCI's financing of commodities and other business dealings of international criminal financier Mark rich the nature extent and meaning of the ownership of other major US financial institutions by Middle Eastern political figures the nature extent and meaning of real estate and financial investments in the United States by major shareholders of BCCI the sale of BCCI affiliate bulk de commerce a place mall in Geneva to the cuca of a group of Turkey which owned an entity involved in the BNL Iraqi arms sales among others the withholding of documents and witnesses from US investigators by the government of Abu Dhabi threatens vital US foreign policy anti-narcotics and money laundering and law enforcement interests and should not be tolerated summary of legislative recommendations 1 the subcommittee recommends that the United States develop a more aggressive and coordinated approach to international financial crime and to move further against foreign privacy and confidential laws that protect criminals to the subcommittee recommends that the Justice Department reconsider the policies and practices that led to its

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policies and practices that led to its ineffectiveness in investigating and prosecuting BCCI and impaired its ability to cooperate with other investigations of BCCI being conducted by the Federal Reserve New York District Attorney and the Senate three the subcommittee recommends that the Central Intelligence Agency and State Department upgrade the tracking of foreign financial institutions and activities and the dissemination of information concerning such institutions for the subcommittee recommends that the Congress consider whether additional oversight mechanisms are necessary to ensure the CIA's accountability on the provision of information 5 the subcommittee recommends that federal agencies impose new requirements on foreign auditors to protect US interests in any case in which any such agency is relying on an audit certified by a foreign auditor at minimum this should require foreign auditors whose certifications are used by institutions doing business in the u.s. agree to submit themselves to US laws six the subcommittee recommends that the President and the Secretary of State advised the government of Abu Dhabi that its withholding of documents and witnesses pertaining to BCCI from US federal law enforcement investigators the Federal Reserve the New York District Attorney and the Congress threatens vital US interests and will not be tolerated seven further attention needs to be given to the problem of the revolving door in Washington and the impact on the regulatory process and on law enforcement of political influence in Washington the subcommittee recommends the consideration of legislating a federal statutory code of conduct for attorneys who practice before federal agencies eight the self-regulation of the u.s. commodities

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self-regulation of the u.s. commodities markets by the Commodities Futures Trading Commission the Chicago Board of Trade and the Chicago Mercantile Exchange is inadequate to protect those markets against money laundering involving trades from abroad the subcommittee recommends that the exchanges make money laundering illegal and demand that this requirement be accepted by foreign commodities exchanges with whom they do business as a condition of access to US exchanges 9 the subcommittee recommends that further steps be taken to ensure adequate accountability of foreign financial institutions doing business in the United States including requiring foreign banks form separately capitalized holding

companies in the United States as a condition of license and the consideration by the Federal Reserve of establishing a minimum standard for consolidated regulation that excludes bank regulatory havens 10 the subcommittee recommends that foreign investors who purchase substantial shares of US businesses be required to appear personally in the United States as insurance that the foreign investor is not acting as a nominee for someone else 11 turf wars continue to severely damage the ability of law enforcement agencies in the United States to do their job the subcommittee recommends the establishment of a committee of law enforcement officials whose job it is to conduct oversight of prevent and respond to failures of cooperation and law enforcement 12 the subcommittee recommends that a statutory mechanism for the receipt by Congress of foreign financial information be established introduction and summary of investigation BCCI cannot be taken as an isolated example of a rogue Bank but a

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isolated example of a rogue Bank but a case study of the vulnerability of the world to international crime on a global scale that is beyond the current ability of governments to control its multibillion-dollar collapse is merely the latest in a series of international financial scandals that have been deviled international banking this century its techniques and its associations with government officials intelligence agencies and arms traffickers or neither knew nor unique for example as far back as the 1920s the International match corporation bilked shareholders and lenders out of some 500 million dollars through switching company assets and liabilities among a series of she´ll entities creating fictional assets when existing ones were adequate and through transferring funds from the United States offshore all the while its chairman Ivan Kruger maintained friendships with numerous world leaders including then u.s. President Herbert Hoover in a manner reminiscent of BCCI's founder Agha Hassan a biddies relationships with President Carter a half a century later during the 1960's the Channel Islands off the coast of England became the host to a series of post office box banks including the infamous bank of Sark whose facilities included a room over a pub a desk and a telephone that headquarters proved adequate to enable the swindlers who established the bank to use it to sell some 100 million dollars in fraudulent checks and letters of credit on the phantom bank before their criminality was discovered in the same period bernie Kornfeld chairman of the investors overseas service iOS which sold the fund of funds and fugitive financier Robert Vesco siphoned off hundreds of millions of

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siphoned off hundreds of millions of dollars from investors in the mutual fund that at its height had three billion dollars in assets under its management in doing so it moved funds held at Credit Suisse to a small Bank which iOS itself owned based in Luxembourg from which the funds disappeared again this technique anticipated the methods used by BCCI to shift assets from legitimate institutions to its own and then to engage in wire transfers sufficient to make them impossible to track similar techniques were used by Italian financier Michel Sindona in connection with his management of Banco Ambrosiano in Italy and by former CIA agent Michael hand in the drug money laundering new gun hand bank in Australia during the late 1970's and early 1980s the latter institution had numerous ties to US intelligence and military personnel which have never been and thus the rise and fall of BCCI is not an isolated phenomenon but a recurrent problem that has grown along with the growth of the international financial community itself given the extraordinary magnitude of international financial transactions which amount to some four trillion dollars per day moving through the New York clearance system alone the opportunities for fraud are huge the rewards great and the systems put in place to protect against them far from adequate as this report demonstrates in some detail the scope and variety of BCCI's criminality and the issues raised by that criminality are immense and beyond the scope of any single investigation or report this report the product of some four years of investigation by the subcommittee while extensive can merely provide a basic

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extensive can merely provide a basic guideline to the fundamental facts and issues raised by the BCCI affair the subcommittee investigation of BCCI began in February 1988 early in the second year of a two-year investigation of the relationship between drug trafficking to u.s. foreign policy and law enforcement that had been authorized by the full committee during a hearing on general Noriega x' drug trafficking and money laundering BCCI was identified as facilitating Noriega x' criminal activity in march 1988 the Foreign Relations Committee authorized the issuance of subpoenas to BCCI and those at the bank involved in handling Noriega s-- assets and the accounts of others in Panama and Colombia service of those subpoenas was delayed at the request of the Justice Department and US Customs Service due to concern that its service could interfere with an ongoing sting operation of BCCI in Tampa operation C Chase by the time the Subcommittee secured the permission of federal authorities to move forward with service of the subpoena in late July in 1988 the subcommittee had completed the public hearings in connection with its investigative mandate and was proceeding to complete its final report with no further investigative efforts planned however service of the subpoena set into motion a series of contacts during the late summer and early fall involving the subcommittee BCCI officials and bcc i--'s attorneys including clark clifford and robert altman during those contacts BCCI officials advised subcommittee counsel Jack bloom that in their view BCCI and its attorneys were obstructing the subcommittee's efforts to investigate the bank the subcommittee conducted a deposition of one key BCCI official I'm shad Awan shortly before

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official I'm shad Awan shortly before his arrest in the customs sting and deposed a second former BCCI officer following the sting during the final days of the authorization given the subcommittee by the Foreign Relations Committee thus as the two-year investigation of the subcommittee authorized by the Foreign Relations Committee ended investigating BCCI remained a major piece of unfinished subcommittee business in the spring of 1989 Senator Kerry chairman of the subcommittee authorized Blum as he was leaving the subcommittee to provide the information he had developed to the Justice Department after the Justice Department in blooms view had failed to follow up on the information provided he took the same information to New York District Attorney Robert Morgenthau who shortly commenced his investigation of BCCI based in substantial part on the leads provided him by Blum and the subcommittee in the meantime Senator Kerry asked two members of his personal staff to continue the investigation from within his personal office until such time as further authorization might be granted from the Foreign Relations Committee or another committee of formal jurisdiction for a committee investigation during 1989 and 1990 staff and Senator Kerry's office had numerous contacts with BCCI's attorneys certain BCCI customers and in a truncated fashion with BCCI officials in an attempt to determine whether allegations concerning BCCI's secret ownership of first american bank shares were correct and as part of an effort to identify the extent and nature of bcc i--'s support of drug money laundering in January 1990 when the Justice Department entered into a plea agreement with BCCI Senator Kerry criticized the plea

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Senator Kerry criticized the plea agreement for permitting BCCI to avoid trial and the 14 million dollar fine as insufficient punishment for an institution which had a corporate policy of laundering drug money at the same time the subcommittee published a report on drug money laundering which focused in part on further questions concerning BCCI including BCCI's alleged secret ownership of first American during the spring and summer of 1990 Senator Kerry's staff conducted further investigative efforts concerning BCC i met with bcc i--'s and first Americans attorneys on several occasions attempting to obtain BCCI documents in July 1990 Senator Kerry in his capacity as chairman of the subcommittee scheduled hearings on VC CI which were postponed after bcc i--'s attorneys and the Justice Department advised staff that each of the requested witnesses including BCCI attorney and first American president Robert Altman would decline the subcommittee's request to testify after efforts to obtain authorization for the investigation within the Banking Committee failed senator Kerry decided in early 1991 to formalize the personal staff investigation within the subcommittee and to seek formal authorization for an investigation from the Foreign Relations Committee which was granted on May 23rd 1991 without dissent together with this authorization the Foreign Relations

Committee authorized the issuance of a subpoena to BCCI for records pertaining to its dealings with foreign officials of a number of countries arms dealers and focusing on its secret ownership of US financial institutions at this time Senator Kerry was joined in further investigative efforts by his ranking member senator Brown while the Foreign Relations

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Brown while the Foreign Relations Committee provided consistent support for the subcommittee's efforts through 1991 and 1992 staffing resources for the investigation remained limited amounting to two attorneys with no budget for travel the lack of resources particularly hampered efforts to investigate matters pertaining to BCCI's activities outside the United States authority for subpoenas and writs were granted by the committee to the subcommittee on May 23rd 1991 November 27 1991 February 29th 1992 June 4th 1992 in all the subcommittee conducted 13 days of public hearings on August 1st 2nd 8th October 18th 22nd 23rd 24th 25th and November 21st 1991 February 19th March 18th May 14th and July 30th 1992 one day of closed hearings on October 31st 1991 and staffed an additional day of hearings in the Senate Banking Subcommittee on consumer and regulatory affairs on May 23rd 1991 both by subpoena and by request documents were received from many institutions agencies and individuals including BCCI itself many of BCCI's attorneys and law firms many former BCCI officials representatives of BCCI's creditors and depositors Pricewaterhouse bcc i--'s accountants clark clifford and robert altman the first american bank the federal reserve office of Thrift Supervision Resolution Trust Corporation office of the comptroller of the currency Federal Deposit Insurance Corporation majority shareholders of BCCI Abu Dhabi the Central Intelligence

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Abu Dhabi the Central Intelligence Agency the US Customs Service the State Department the Department of Agriculture former federal prosecutors and investigators and many others in addition the subcommittee has been vitally assisted by certain BCCI insiders who while still working at BCCI during the period of its operation became sufficiently angered and disgusted by what they had observed that they contacted the subcommittee and agreed to provide the subcommittee with information on an ongoing basis these insiders helped the subcommittee to document improprieties involving BCCI's attorneys senior officers and shareholders as well as certain failures to act on information by federal law enforcement many matters remain to be investigated and these are outlined in the executive summary and in the final chapter on conclusions and legislative recommendations what is absolutely clear is that the United States needs to exercise far more leadership in helping develop a system for monitoring and regulating the movement of funds across international borders to replace the current inadequate patchwork system that BCCI with all of its faults so aptly took advantage of to defraud over 1 million depositors and thousands of creditors from countries all over the world equally important is for the United States to give renewed attention to the difficulty of monitoring the actual circumstances and intentions of foreign investors seeking to acquire US institutions as the BCCI case demonstrates such investments pose special difficulties for both investigation and prosecution should something go wrong finally influence-peddling the revolving door and the willingness of well

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of well placed and prominent people in Washington to provide services to whoever once in the door and is willing to pay one's fees as a phenomenon that poses very substantial dangers for our system of government as the BCCI case suggests higher standards of conduct by the private sector in Washington that lives alongside of government is an essential part of making it possible for government to work the lack of those standards was a significant factor in BCCI's success in committing crimes and the government's failures in doing anything about them

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